

**Department of Environmental Conservation
State of Alaska
Single Audit – Compliance Supplement**

Program #	Program Name	Last Revised
1	Municipal Grants Program	1/96
2	Village Safe Water Program (VSW)	1/96
3	Solid Waste Management Planning Grants	Deleted 5/97
4	Remote Maintenance Worker Program	1/96

Municipal Grants Program
Facility Construction and Operation Division
Department of Environmental Conservation – Program 1

I. PROGRAM OBJECTIVE

The objective of the Alaska Department of Environmental Conservation's (ADEC) Municipal Grants Program is to assist incorporated communities, through cash grants, in construction of publicly owned water supply, treatment, storage, and distribution systems; sewage collection treatment and discharge systems, and solid waste processing and disposal facilities; and water quality enhancement projects.

II. PROGRAM PROCEDURES

This program is administered by the Division of Facility Construction and Operation (FC&O), Municipal Grants and Loans Section. After application review and determination by a project engineer, a grant is offered and officially accepted by the community. FC&O makes payments based upon a Request for Payment from a community. When a project has been completed and all project expenses made known, a final cost statement is prepared by the community. At this time, 90 percent of the grant is paid to the community and the project is scheduled for an audit. If good cause is shown, the final 10 percent of the grant may be released.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR DISALLOWED

Compliance Requirements

Grant funds can be expended for new construction, including expansion and extensions of municipal systems, the replacement or rehabilitation of existing systems or for water quality enhancement projects. The maintenance of existing systems and construction of storm sewers systems are ineligible for grant funding.

Effective 11/24/94, construction of storm sewers are eligible if the system is part of an approved water quality enhancement project; or, separates storm water runoff from a sanitary sewer system. 18 AAC 73.010(c)(2)(A)&(B)

Suggested Audit Procedures

- Review grant obligation documents, related project records, and expenditures.

Compliance Requirements

Eligible costs include construction, equipment, engineering, legal, and administrative expenses incurred as a direct result of the project as follows:

Costs incurred 120 days or less before a grant offer; and prior to the date of completion certification. Force account labor and equipment charge rates must be approved by ADEC before expenses are incurred.

18 AAC 73.010(f), (g), and .050(b)

Suggested Audit Procedures

- Review project documentation and prepare test schedule to determine if:
Expense is necessary, reasonable, and eligible;
 - a Force account expense is the same rate as approved by ADEC;
 - b Force account labor expense is traceable to a signed and approved timesheet;
 - c Expense is within allowable dates; and
 - d Documentation is mathematically accurate and supports the expense.

Compliance Requirement

Project plans and specifications must be prepared and signed by a professional engineer and approved by ADEC prior to grantee's issuance of a Notice to Proceed with Construction. 18 AAC 73.020(a) and (d); AS 46.03.720

Suggested Audit Procedure

- Compare ADEC plan approval date with Notice to Proceed date or start of construction date for force account projects.

Compliance Requirements

Construction contracts with estimated costs exceeding \$50,000 must be awarded through a competitive bidding process unless otherwise approved by ADEC. ADEC must concur with the awarding of construction contracts, and all change orders must be submitted to the department for approval. 18 AAC 73.020(e), (f), and (g)

Suggested Audit Procedures

- Obtain copies of the applicable contracts, the contractor's original bid, and any change orders, and the contractor's final pay estimate.
- Determine if:
 - a Contract was awarded to lowest responsive bidder;
 - b ADEC concurrence was given on the contract;
 - c ADEC approved all change orders;
 - d Contract(s) pertained to this project;
 - e Payments did not exceed cost ceiling; and

- f Unit prices are the same on the original bid and the contractor's final pay estimate.

Compliance Requirements

Ineligible expenditures include: acquisition of land and rights-of-way, including easements; purchase of privately owned utilities; interest and financing; formation of local improvement districts; operation, maintenance or system repair; preparation of grant applications; salaries of existing administrative staff working normally scheduled hours; vehicles used to collect and transport solid waste from its point of generation to a point of disposal; and comprehensive plans and feasibility studies. 18 AAC 73.010(g)

Project specific feasibility studies and planning reports are eligible expenditures.

Suggested Audit Procedures

- Review reported costs and related records to determine if the funded project included any ineligible costs;
- Obtain and review copies of construction, engineering, and other applicable contracts; and
- Review field inspector's reports to determine if there were construction irregularities.

B. ELIGIBILITY

Compliance Requirement

The auditor is not expected to verify eligibility.

C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS.

Compliance Requirements

For those grants awarded on or after July 1, 1994; the grant amount may not exceed:

- a 85 percent of the eligible costs for a municipality with a population of 1,000 persons or less;
- b 70 percent of the eligible costs for a municipality with a population of 1,001 to 5,000 persons; or
- c 50 percent of the eligible costs for a municipality with a population greater than 5,000 persons.

However, if a municipality with a population greater than 5,000 persons seeks a grant for a project that relates to solid waste processing or disposal system that incorporates resource recovery, the department may provide a grant for up to 60 percent of the eligible costs of the project.

46.03.030(e)

For those grants awarded prior to July 1, 1994; the grant amount for all projects is 50 percent of the eligible costs not financed by the federal government. Unless the project incorporates a solid waste processing and disposal facility, then the grant amount may not exceed 60 percent of eligible costs.

In addition, for those projects awarded prior to July 1, 1994; if the federal government provides funding for the project, then the eligible costs will be determined according to the federal grant program which provides the most financial assistance.

No grant awarded by the department may result in project funding being in excess of 100 percent of total project costs. 18 AAC 73.040(b)

Suggested Audit Procedures

- Review municipality's reported source of funds and perform the following:
 - a Obtain copies of all funding source documents and receipts; and
 - b Determine if committed funding is more than 100 percent of total project costs.

D. REPORTING REQUIREMENTS

Compliance Requirement

Grantee must submit progress reports as part of the payment requests. 18 AAC 73.050(a) and (b)

Suggested Audit Procedure

- Obtain copies of submitted reports to review for completeness/timeliness.

E. SPECIAL TESTS AND PROVISIONS

Compliance Requirement

Grantee must construct a project capable of operating in accordance with approved plans and specifications.
18 AAC 73.020(j)

Suggested Audit Procedures

- Perform physical review of actual construction project; and
- Review documentation concerning operability.

Modified 1/96

Village Safe Water Program (VSW)
Facility Construction and Operation
Department of Environmental Conservation – Program 2

I. PROGRAM OBJECTIVE

The objective of the Village Safe Water (VSW) Program is to assist unincorporated or second class cities, through cash grants to provide improved water, wastewater and solid waste services. As of 7/1/92, those first class cities with populations of 600 or less are also eligible for VSW grants.

II. PROGRAM PROCEDURES

The program is administered by the Alaska Department of Environmental Conservation (ADEC), Division of Facility Construction and Operation (FC&O), Village Safe Water Section. A feasibility study submitted by the community is reviewed by the project engineer for determination of grant offer. The project engineer also determines if bookkeeping services will be performed by contracting with a bookkeeping firm or by the grantee. A grant offer is then made and payments are based upon VSW engineer assessment of construction progress. When a project has been completed, final inspection is performed, punch list items cleared, and all project expenses known, a project reconciliation is completed. At this time, 100 percent of the VSW grant is paid to the community and the project is scheduled for a final report. The final report is prepared by the VSW engineer and accepted by the community.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

Compliance Requirement

Funds shall be expended only for the purposes described in the grant agreement.

Suggested Audit Procedure

- Review and compare reported costs, related documents, and grant agreement terms.

B. ELIGIBILITY

The auditor is not expected to verify eligibility.

C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS.

Compliance Requirement

Grantee shall use an accounting system, which adequately accounts for grant funds and all expenses paid with grant funds, if the grant accounting is not done by the firm hired by the department. Checks must contain two authorized signatures.

Suggested Audit Procedures

- Review project records to determine if;
 - a Reported costs reconcile to bank account;
 - b Proper documentation supports expense, and checks have two signatures; and
 - c Total project funding is not in excess of 100 percent of total project costs and all grant funds were utilized.

D. REPORTING REQUIREMENTS

Compliance Requirement

Grantee is to provide monthly bank account balance to VSW engineer.

Suggested Audit Procedure

- Review project records for compliance.

E. SPECIAL TESTS AND PROVISIONS

Compliance Requirement

Grantee is to operate and maintain the system provided, assess user fees to ensure system is self-supporting, and select individuals trained to operate and maintain the facility.

Suggested Audit Procedure

- Review system for operability to review documentation to ensure user fee assessment.

Modified 1/96

Remote Maintenance Worker Program
Facility Construction and Operations Division
Department of Environmental Conservation – Program 4

I. PROGRAM OBJECTIVES

The objective of the Alaska Department of Environmental Conservation's (ADEC) Remote Maintenance Worker Program is to assist rural Alaskan communities in providing safe drinking water and properly treated wastewater by developing a group of well-trained sanitation facility operators. This is accomplished by: providing on-site technical assistance training and off-site assistance; assisting and motivating operators to achieve appropriate levels of certification; encouraging communication among operators and utility managers and communication with regulatory agencies and other supporting agencies; and promoting the implementation of preventative maintenance programs in each community served.

II. PROGRAM PROCEDURES

This program is administered by the Division of Facility Construction and Operation (FC&O), Operations Assistance Section. After application review and determination, a grant offer is made. FC&O makes payments based upon the Payment Schedule established for each Remote Maintenance Worker (RMW) grant. This Payment Schedule is included within the grant agreement.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED AND UNALLOWED

Compliance Requirement

Grant funds can be expended only for those budgeted items specifically detailed in the grant agreement for each particular line item, unless ADEC has approved a request to modify the approved budget.

Suggested Audit Procedure

- Review to compare grant agreement, related project records, and expenditures.

Compliance Requirement

Eligible costs may include, but are not limited to: salaries and benefits, travel and per diem, supplies for the RMW, other direct costs incurred as a result of the project, indirect costs of the grantee (limited to the percentage

detailed by the approved budget in the grant agreement), and equipment costs for the RMW.

Suggested Audit Procedures

- Review project documentation and prepare test schedule to determine if:
 - a Expense is necessary, reasonable, and eligible; and
 - b Documentation is mathematically accurate and supports the expense.

Compliance Requirement

Grantees must satisfy several specific requirements detailed under the section of the grant titled, “Special Grant Conditions”, including the various reporting requirements detailed in the grant agreement.

Suggested Audit Procedures

- Review grantee’s records to determine whether the requirements of the Special Grant Conditions have been satisfied and appropriate reports have been submitted as required; and
- Obtain copies of submitted reports to review for completeness/timeliness. The various reports required are for; trips by the RMW to communities served, quarterly and annual activity reports, and fiscal reports.

B. ELIGIBILITY

Compliance Requirement

The auditor is not expected to verify eligibility.

THERE ARE NO SPECIAL/SPECIFIC REQUIREMENTS OR SUGGESTED AUDIT PROCEDURES IN (C) MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING; (D) REPORTING; OR (E) TESTS AND PROVISIONS, FOR THIS GRANT PROGRAM.

Modified 1/96